

BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced:

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Alaska permanent fund; relating to appropriations to the
2 dividend fund; relating to income of the Alaska permanent fund; relating to the
3 earnings reserve account; relating to the Alaska permanent fund dividend; and
4 providing for an effective date."

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * **Section 1.** AS 37.13.010(a) is amended to read:

7 (a) Under art. IX, sec. 15, of the state constitution, there is established as a
8 separate fund the Alaska permanent fund. The Alaska permanent fund consists of

9 (1) 25 percent of all mineral lease bonuses, rentals, royalties, royalty
10 sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral
11 revenue sharing payments received by the state [FROM MINERAL LEASES ISSUED
12 ON OR BEFORE DECEMBER 1, 1979, AND 25 PERCENT OF ALL BONUSES
13 RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED ON OR
14 BEFORE FEBRUARY 15, 1980];

(2) unless required to maintain the target balance of the earnings reserve account under AS 37.13.145, an additional 24.5 [50] percent of all mineral lease bonuses, rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state;

(3) except as otherwise provided under art. IX, sec. 17, Constitution of the State of Alaska and unless required to maintain the target balance of the earnings reserve account under AS 37.13.145, 100 percent of oil and gas production taxes collected by the Department of Revenue under AS 43.55.011 - 43.55.180 [FROM MINERAL LEASES ISSUED AFTER DECEMBER 1, 1979, AND 50 PERCENT OF ALL BONUSES RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED AFTER FEBRUARY 15, 1980]; and

(4) [(3)] any other money appropriated to or otherwise allocated by law or former law to the Alaska permanent fund.

* **Sec. 2.** AS 37.13.010 is amended by adding a new subsection to read:

(d) In this section "target balance" has the meaning given in AS 37.13.145(k).

* **Sec. 3.** AS 37.13 is amended by adding a new section to read:

Sec. 37.13.015. Appropriations to the dividend fund. The legislature may appropriate to the dividend fund, established in AS 43.23.045, 50 percent of all mineral lease bonuses, rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state. Nothing in this section creates a dedicated fund.

* **Sec. 4.** AS 37.13.140 is amended to read:

Sec. 37.13.140. Income. Net income of the fund includes income of the earnings reserve account established under AS 37.13.145. Net income of the fund shall be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses. Net income of the fund shall be allocated to the earnings reserve account [INCOME AVAILABLE FOR DISTRIBUTION EQUALS 21 PERCENT OF THE NET INCOME OF THE FUND FOR THE LAST FIVE FISCAL YEARS, INCLUDING

1 THE FISCAL YEAR JUST ENDED, BUT MAY NOT EXCEED NET INCOME OF
2 THE FUND FOR THE FISCAL YEAR JUST ENDED PLUS THE BALANCE IN
3 THE EARNINGS RESERVE ACCOUNT DESCRIBED IN AS 37.13.145].

4 * **Sec. 5.** AS 37.13.145(c) is amended to read:

5 (c) **If, at the end of each fiscal year, the balance of the earnings reserve**
6 **account exceeds the target balance and subject to an appropriation** [AFTER THE
7 TRANSFER UNDER (b) OF THIS SECTION], the corporation shall transfer from the
8 earnings reserve account to the principal of the fund an amount **equal to the**
9 **difference between the balance of the earnings reserve account and the target**
10 **balance** [SUFFICIENT TO OFFSET THE EFFECT OF INFLATION ON THE
11 PRINCIPAL OF THE FUND DURING THAT FISCAL YEAR]. However, none of
12 the amount transferred shall be applied to increase the value of that portion of the
13 principal attributed to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ.
14 (Superior Court, First Judicial District) on July 1, 2004. [THE CORPORATION
15 SHALL CALCULATE THE AMOUNT TO TRANSFER TO THE PRINCIPAL
16 UNDER THIS SUBSECTION BY

17 (1) COMPUTING THE AVERAGE OF THE MONTHLY UNITED
18 STATES CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS FOR
19 EACH OF THE TWO PREVIOUS CALENDAR YEARS;

20 (2) COMPUTING THE PERCENTAGE CHANGE BETWEEN THE
21 FIRST AND SECOND CALENDAR YEAR AVERAGE; AND

22 (3) APPLYING THAT RATE TO THE VALUE OF THE
23 PRINCIPAL OF THE FUND ON THE LAST DAY OF THE FISCAL YEAR JUST
24 ENDED, INCLUDING THAT PORTION OF THE PRINCIPAL ATTRIBUTED TO
25 THE SETTLEMENT OF STATE V. AMERADA HESS, ET AL., 1JU-77-847 CIV.
26 (SUPERIOR COURT, FIRST JUDICIAL DISTRICT).]

27 * **Sec. 6.** AS 37.13.145(d) AS 37.13.145(d) is amended to read:

28 (d) **Income** [NOTWITHSTANDING (b) OF THIS SECTION, INCOME]
29 earned on money awarded in or received as a result of State v. Amerada Hess, et al.,
30 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement,
31 summary judgment, or adjustment to a royalty-in-kind contract that is tied to the

outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available [FOR DISTRIBUTION TO THE DIVIDEND FUND OR] for transfers to the principal under (c) of this section, and shall be annually deposited into the Alaska capital income fund (AS 37.05.565).

* **Sec. 7.** AS 37.13.145 is amended by adding new subsections to read:

(e) Except as otherwise provided under art. IX, sec. 17, Constitution of the State of Alaska, if, as of the last day of the fiscal year, the balance of the earnings reserve account is less than the target balance, up to 100 percent of the money collected by the Department of Revenue under the oil and gas production tax, AS 43.55.011 - 43.55.180, may be appropriated to the earnings reserve account. Any portion of these funds not required to bring the earnings reserve account balance to the target balance may be appropriated to the principal of the fund. Money not appropriated to the earnings reserve account or the principal of the fund shall be deposited in the general fund.

(f) If, as of the last day of the fiscal year, the balance of the earnings reserve account is less the target balance, up to 24.5 percent of all mineral lease bonuses, rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state may be appropriated to the earnings reserve account. Any portion of these funds not required to bring the earnings reserve account balance to the target balance may be transferred to the principal of the fund.

(g) Each fiscal year and subject to appropriation, the corporation shall transfer from the earnings reserve account to the general fund the sustainable draw amount under (h) of this section.

(h) Unless determined otherwise in the process set out in (i) of this section, the sustainable draw amount for each fiscal year is \$3,200,000,000. The sustainable draw amount may not exceed \$3,200,000,000 for a fiscal year. Except that, beginning in calendar year 2020, the sustainable draw amount may be adjusted for inflation. The commissioner of revenue shall calculate the inflation rate by computing the

(1) average of the monthly United States Consumer Price Index for all

1 urban consumers for each of the two previous calendar years; and

2 (2) percentage change between the first and second calendar year
3 average.

4 (i) The commissioner of revenue may recommend that the sustainable draw
5 under (h) of this section be adjusted based on a sufficiency of assets review conducted
6 in calendar year 2016 and every four years thereafter. The commissioner of revenue
7 shall consult with the board of the corporation in conducting the review. The
8 commissioner shall issue a report evaluating the sufficiency of assets in the earning
9 reserve account and anticipated revenue to meet the draw for the following four years
10 as well as, whether more likely than not, the real value of the permanent fund assets
11 will be less in 20 years than at the beginning of fiscal year 2017. To calculate the
12 sufficiency of assets, the report shall use

13 (1) a total return assumption equal to the equally weighted average of
14 the 10-year total return forecast adopted by the board of the corporation and the ten-
15 year historical average total return achieved by the fund;

16 (2) the 10-year Department of Revenue forecast of natural resource
17 revenues;

18 (3) the balance of the earnings reserve of the Alaska permanent fund,
19 including unrealized gains and losses;

20 (4) the balance of the principal of the Alaska permanent fund,
21 including unrealized gains and losses;

22 (5) historical and forecasted inflation; and

23 (6) any additional factors the commissioner of revenue determines are
24 relevant.

25 (j) The commissioner of revenue shall present the sufficiency of assets report
26 to the president of the senate and the speaker of the house of representatives.

27 (k) In this section,

28 (1) "sustainable draw amount" means an amount of money to be
29 appropriated in a fiscal year from the earnings reserve account to the general fund;

30 (2) "target balance" means four times the prior year's sustainable draw
31 from the earnings reserve account.

1 * **Sec. 8.** AS 37.13.300(c) is amended to read:

2 (c) Net income from the mental health trust fund may not be included in the
3 computation of net income [AVAILABLE FOR DISTRIBUTION] under
4 AS 37.13.140.

5 * **Sec. 9.** AS 43.23.025(a) is amended to read:

6 (a) By October 1 of each year, the commissioner shall determine the value of
7 each permanent fund dividend for that year by

8 (1) determining the total amount available for dividend payments,
9 which equals

10 (A) the amount appropriated [OF INCOME OF THE
11 ALASKA PERMANENT FUND TRANSFERRED] to the dividend fund
12 under AS 37.13.015 [AS 37.13.145(b)] during the current year;

13 (B) plus the unexpended and unobligated balances of prior
14 fiscal year appropriations that lapse into the dividend fund under
15 AS 43.23.045(d);

16 (C) less the amount necessary to pay prior year dividends from
17 the dividend fund in the current year under AS 43.13.005(h), 43.23.021, and
18 43.23.055(3) and (7);

19 (D) less the amount necessary to pay dividends from the
20 dividend fund due to eligible applicants who, as determined by the department,
21 filed for a previous year's dividend by the filing deadline but who were not
22 included in a previous year's dividend computation;

23 (E) less appropriations from the dividend fund during the
24 current year, including amounts to pay costs of administering the dividend
25 program and the hold harmless provisions of AS 43.13.075;

26 (2) determining the number of individuals eligible to receive a
27 dividend payment for the current year and the number of estates and successors
28 eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

29 (3) dividing the amount determined under (1) of this subsection by the
30 amount determined under (2) of this subsection.

31 * **Sec. 10.** AS 43.23.045(d) is amended to read:

1 (d) Unless specified otherwise in an appropriation act, the unexpended and
2 unobligated balance of an appropriation to implement this chapter lapses into the
3 dividend fund on June 30 of the fiscal year for which the appropriation was made and
4 may [SHALL] be used in determining the amount of and paying the subsequent year's
5 dividend as provided in AS 23.025(a)(1)(B).

6 * **Sec. 11.** AS 43.55.080 is amended to read:

7 **Sec. 43.55.080. Collection and deposit of revenue.** (a) Except as otherwise
8 provided under art. IX, sec. 17, Constitution of the State of Alaska, the money
9 collected by the department [SHALL DEPOSIT IN THE GENERAL FUND THE
10 MONEY COLLECTED BY IT] under AS 43.55.011 - 43.55.180 may be
11 appropriated to the permanent fund under AS 37.13.010 and 37.13.145; money
12 not appropriated to the permanent fund shall be deposited in the general fund.

13 * **Sec. 12.** AS 37.13.145(b) is repealed.

14 * **Sec. 13.** The uncoded law of the State of Alaska is amended by adding a new section to
15 read:

16 2016 PERMANENT FUND DIVIDEND. Notwithstanding any other provision in this
17 Act or other applicable law, the permanent fund dividend for each eligible individual for
18 calendar year 2016 shall be \$1,000.

19 * **Sec. 14.** Sections 3 and 9 of this Act take effect July 1, 2017.

20 * **Sec. 15.** Except as provided in sec. 14 of this Act, this Act takes effect July 1, 2016.